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FORM X-17A-5 PART III

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SEC FILE NUMBER 23305

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

| REPORT FOR THE PERIOI | D BEGINNING 01/01/2003 AN | D ENDING 12 | -31-2003 |
|-----------------------|---|----------------|----------------------------|
| 10000 | MM/DD/YY | | MM/DD/YY |
| | A. REGISTRANT IDENTIFICATION | ON | |
| NAME OF BROKER-DEAL | | ļ | OFFICIAL USE ONLY |
| ADDRESS OF PRINCIPAL | Turner, Nord, Kienbaum PLACE OF BUSINESS: (Do not use P.O. Box No.) |) | FIRM I.D. NO. |
| | 601 W. Riverside Ave., Suite 1 (No. and Street) | 1430 | |
| | Spokane, Wa | 99201 | |
| (City) | (State) | (Zip | Code) |
| NAME AND TELEPHONE | NUMBER OF PERSON TO CONTACT IN REGAR Sally Mann | | RT) 747-9144 |
| | | (Ar | ea Code – Telephone Number |
| | B. ACCOUNTANT IDENTIFICATION | ON | |
| INDEPENDENT PUBLIC A | McDirmid, Mikkelsen & Secrest, (Name - if individual, state last, first, mide) 926 W. Sprague Ave., Suite 300 | P.S. dle name) | Wa 99021 |
| (Address) | (City) | (State) | (Zip Code) |
| CHECK ONE: | | | |
| Certified Publ | lic Accountant | PROC | ESSED |
| ☐ Public Accoun | ntant | , | 9 2004 |
| ☐ Accountant no | ot resident in United States or any of its possessions. | `\] | MSON |
| | FOR OFFICIAL USE ONLY | - FIN | ANCIAL |
| | | | |

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied op as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are orespond to the collection of information contained in this orm are not required to respond unless the form displays a currently valid OMB control number.

SEC 1410 (06-02)

OATH OR AFFIRMATION

| I, To | n L. Turner , swear (or affirm) that, to the best of |
|--|--|
| | e and belief the accompanying financial statement and supporting schedules pertaining to the firm of liant Securities, Inc., Turner, Nord, Kienbaum, as |
| neither the | cember 31, , 20 03 , are true and correct. I further swear (or affirm) that ompany nor any partner, proprietor, principal officer or director has any proprietary interest in any account |
| classified so | ely as that of a customer, except as follows: |
| | |
| | Signature |
| | Notary Public * contains (check all applicable boxes): mg Page. |
| (b) Sta (c) Sta (d) Sta (d) Sta (e) Sta | ement of Financial Condition. ement of Income (Loss). ement of Changes in Financial Condition. ement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital. |
| (g) Con (h) Con (i) Info | ement of Changes in Liabilities Subordinated to Claims of Creditors. Eputation of Net Capital. Eputation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. Example 15c3-3. |
| Con (k) A F | econciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the equitation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. econciliation between the audited and unaudited Statements of Financial Condition with respect to methods of colidation. |
| ☑ (l) An☐ (m) A c | Oath or Affirmation. Opy of the SIPC Supplemental Report. port describing any material inadequacies found to exist or found to have existed since the date of the previous audi |

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



FINANCIAL STATEMENTS for the years ended December 31, 2003 and 2002

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McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid Chris D. Mikkelsen Kenneth E. Secrest William A. Simer Andrew J. McDirmid

926 W. Sprague, Suite 300 Spokane, WA 99201.4000 509.747.6154 FAX 509.838.0508 www.mmsps.com

INDEPENDENT AUDITORS' REPORT

Board of Directors Alliant Securities, Inc. Turner • Nord • Kienbaum Spokane, Washington

We have audited the accompanying statement of financial condition of Alliant Securities, Inc. Turner • Nord • Kienbaum as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity, changes in subordinated borrowings, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliant Securities, Inc. Turner • Nord • Kienbaum as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Medinid, Rukkelson , Secret, P.S.

January 16, 2004 Spokane, Washington

STATEMENT OF FINANCIAL CONDITION December 31, 2003 and 2002

| ASSETS | | 2003 | | 2002 |
|--|-----------|---|-----------|--|
| Cash Segregated cash Accounts receivable from brokers and dealers Accounts receivable from customers Other receivables Secured demand notes receivable collateralized | \$ | 685,751 5,000 9,430 37,796 | \$ | 614,841 5,000 11,340 2,699 10,780 |
| by marketable securities Prepaid expenses and deposit Deposits with clearing brokers Cash surrender value of officers' life insurance Property and equipment | | 450,000 3,575 37,000 29,598 13,670 | | 450,000 3,575 35,000 27,476 22,845 |
| | <u>\$</u> | 1,271,820 | <u>\$</u> | <u>1,183,556</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| Payable to brokers and dealers Payable to customers Accounts payable Other liabilities Accrued profit sharing plan contribution Accrued payroll Payroll and business taxes payable Subordinated borrowings | \$ | 3,910 29,737 23,451 25,783 99,851 221,251 2,337 406,320 450,000 | \$ | 6,664 4,341 17,845 11,397 67,031 208,567 2,211 318,056 450,000 |
| Stockholders' equity: Common stock, \$50 par value: Authorized, 1,000 shares; Issued and outstanding, 1,000 shares Additional paid-in capital Retained Earnings | | 50,000 237,883 127,617 415,500 | | 50,000 237,883 127,617 415,500 |
| | <u>\$</u> | 1,271,820 | \$ | 1,183,556 |

STATEMENT OF INCOME

for the years ended December 31, 2003 and 2002

| | <u>2003</u> | <u>2002</u> |
|---|--------------|------------------|
| Revenues: | | |
| Commissions | \$ 1,676,016 | \$ 1,420,206 |
| Interest income | 53,574 | 40,972 |
| Other income | 112,796 | 75,041 |
| | 1,842,386 | 1,536,219 |
| | | |
| Expenses: | | |
| Salesmen salaries and commissions | 852,410 | 672,577 |
| Office salaries | 263,933 | 256,316 |
| Payroll taxes | 55,937 | 53,767 |
| Profit sharing plan contribution | 99,851 | 67,030 |
| Medical insurance | 57,240 | 46,028 |
| Officers' life and disability insurance | 6,362 | 5,601 |
| Telephone and telequote | 32,354 | 37,433 |
| Rent | 81,495 | 86,112 |
| Office supplies and postage | 68,431 | 43,032 |
| Data processing | 72,305 | 67,790 |
| Clearing costs | 54,249 | 66,079 |
| Regulatory fees | 8,739 | 7,453 |
| Business and property taxes | 29,486 | 24,341 |
| Dues, licenses and subscriptions | 24,813 | 19,502 |
| Depreciation | 8,914 | 10,968 |
| Equipment rental and maintenance | 7,489 | 6,670 |
| Professional services | 20,056 | 12,382 |
| Corporate insurance | 13,904 | 7,535 |
| Auto and travel expense | 30,741 | 17,485 |
| Meals and entertainment | 14,203 | 9,467 |
| Advertising and promotion | 2,116 | 2,128 |
| Interest expense | 1,117 | 1,049 |
| Bank and transfer fees | 18,793 | 12,650 |
| Donations | 2,220 | 175 |
| Contracted wages | 228 | 2,649 |
| | 1,827,386 | <u>1,536,219</u> |
| Net income | \$ 15,000 | \$ -0- |

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY for the years ended December 31, 2003 and 2002

| | | | Additional | | |
|-----------------------------|-------------------|----------|----------------|-------------------|-------------------|
| | | Commo | n Paid-in | Retained | |
| | Shares | Stock | <u>Capital</u> | Earnings | <u>Total</u> |
| Balances, January 1, 2002 | 1,000 | \$ 50,00 | 0 \$ 237,883 | \$ 127,617 | \$ 415,500 |
| Net income | | | | | |
| Balances, December 31, 2002 | 1,000 | 50,00 | 237,883 | 127,617 | 415,500 |
| Net income | | | | 15,000 | 15,000 |
| Less dividends paid | - op An Albandona | | | (15,000) | (15,000) |
| Balances, December 31, 2003 | 1,000 | \$ 50,00 | 00 \$ 237,883 | <u>\$ 127,617</u> | <u>\$ 415,500</u> |

STATEMENT OF CHANGES IN SUBORDINATED BORROWINGS

for the years ended December 31, 2003 and 2002

| Subordinated borrowings at January 1, 2002 | \$ 450,000 | |
|--|------------|--|
| Increases: | | |
| Secured demand note collateral agreement, due October 31, 2004 | 37,500 | |
| Secured demand note collateral agreement, due October 31, 2004 | 37,500 | |
| Secured demand note collateral agreement, due October 31, 2004 | 150,000 | |
| Decreases: | | |
| Matured in secured demand note collateral agreement | (225,000) | |
| Subordinated borrowings at December 31, 2002 | 450,000 | |
| Increases: | | |
| None | -0- | |
| Subordinated borrowings at December 31, 2003 | \$ 450,000 | |

STATEMENT OF CASH FLOWS

for the years ended December 31, 2003 and 2002

| · | 2003 | 2002 |
|---|-------------------|------------|
| Cash flows from operating activities: | | |
| Net income | \$ 15,000 | |
| Adjustments to reconcile net income to net cash | | |
| provided by operating activities: | | |
| Depreciation | 8,914 | \$ 10,968 |
| Loss on disposal of assets | 261 | |
| Changes in assets and liabilities: | | |
| Net receivable from brokers and dealers | (844) | 9,074 |
| Net receivable from customers | (9,701) | 52,306 |
| Receivable from others . | 10,780 | (5,033) |
| Deposits | (2,000) | 6,994 |
| Accounts payable and other liabilities | 19,992 | 1,498 |
| Payroll and business taxes payable | 126 | 481 |
| Accrued payroll | 12,684 | (53,643) |
| Accrued profit sharing plan contribution | <u>32,820</u> | 4,600 |
| Net cash provided by operating activities | 88,032 | 27,245 |
| Cash flows from investing activities: | | |
| Premium payments on officers' life insurance | (2,122) | (2,102) |
| Cash flows from financing activities: | | |
| Dividends paid | <u>(15,000)</u> | |
| Net increase in cash | 70,910 | 25,143 |
| Cash at beginning of year | 614,841 | 589,698 |
| Cash at end of year | <u>\$ 685,751</u> | \$ 614,841 |
| Supplemental disclosure of cash paid during the | | |
| year for interest | \$ 1,117 | \$ 1,049 |

NOTES TO FINANCIAL STATEMENTS

1. The Company and Significant Accounting Policies:

The Company was incorporated under the laws of the State of Washington on October 10, 1978 to operate as a broker/dealer in investment securities. The Company's office is located in Spokane, Washington.

The Company is engaged in various trading and brokerage activities with counterparties that primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company maintains cash balances at banks which at times may be in excess of federally insured limits.

Customers' securities transactions are recorded on a settlement date basis with related commission income and expenses recorded on a trade date basis. Securities transactions of the Company are recorded on a trade date basis.

Property and equipment are recorded at cost. Depreciation is computed using straight-line and accelerated methods over estimated useful lives.

NOTES TO FINANCIAL STATEMENTS, Continued

2. Reserve Bank Account:

In accordance with the provisions of Rule 15c3-3 of the Securities and Exchange Commission, the Company maintains a special reserve bank account for the exclusive benefit of customers. The Company segregated \$5,000 for the years ended December 31, 2003 and 2002, respectively, for this purpose. There was no required reserve balance at December 31, 2003. The required balance in this reserve account was \$8,752 at December 31, 2002.

3. Subordinated Borrowings:

The Company has non-interest bearing secured demand note collateral agreements in the amount of \$450,000. The borrowings are in the amount of \$150,000 from each of the 33.33% shareholders with \$225,000 due October 31, 2004, and \$225,000 due October 31, 2006. All notes are non-interest bearing and are subordinated to the claim of general creditors.

The agreements have been approved by the National Association of Securities Dealers (NASD) and are thus available in computing net capital pursuant to Rule 15c3-1 of the Securities and Exchange Commission. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

4. Property and Equipment:

A summary of property and equipment at December 31, 2003 and 2002 is as follows:

| | <u>2003</u> | <u>2002</u> |
|-------------------------------|------------------|------------------|
| Furniture and equipment | \$150,721 | \$244,033 |
| Leasehold improvements | 6,144 | 45,206 |
| | 156,865 | 289,239 |
| Less accumulated depreciation | | |
| and amortization | <u>143,195</u> | <u>266,394</u> |
| | \$ <u>13,670</u> | \$ <u>22,845</u> |

During the year ended December 31, 2003, the Company wrote off various assets that were no longer in use or obsolete. The total cost of the assets written off was \$132,374 with accumulated depreciation of \$132,113.

NOTES TO FINANCIAL STATEMENTS, Continued

5. Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital of \$250,000 and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio will fluctuate on a daily basis. The Company had net capital of \$848,200 and \$828,300 at December 31, 2003 and 2002, respectively. The Company's net capital ratio was .48 to 1 and .38 to 1 at December 31, 2003 and 2002, respectively.

6. Operating Line of Credit:

The Company has a \$1,000,000 unsecured line of credit with U.S. Bank of Washington guaranteed by the stockholders. Interest is due monthly at the bank's prime rate. There were no balances due under the line of credit agreement at December 31, 2003 and 2002.

7. Profit Sharing Plan:

The Company has established a profit sharing plan with 401(k) features available to all eligible employees. Contributions to the plan are determined annually by the Company. Profit sharing plan contributions for the years ended December 31, 2003 and 2002 were \$99,851 and \$67,030, respectively.

NOTES TO FINANCIAL STATEMENTS, Continued

8. Commitments:

The Company leases its business office under a noncancellable lease agreement. On July 17, 2002, the lease agreement was amended and the term was extended to July 31, 2007. Rent expense was \$81,495 and \$86,112 for the years ended December 31, 2003 and 2002, respectively. Monthly payments are \$8,951. Future minimum payments under the lease agreement are as follows:

| Years ending | |
|--------------|-------------------|
| December 31 | <u>Total</u> |
| | |
| 2004 | 109,603 |
| 2005 | 115,896 |
| 2006 | 122,189 |
| 2007 | 73,418 |
| | |
| | \$ <u>421,106</u> |

9. Federal Income Taxes:

Federal income taxes otherwise payable for the year ended December 31, 2003 have been offset by utilization of tax net operating loss carryforwards.

At December 31, 2003, the Company had remaining net operating loss carryforwards of approximately \$64,000 available to offset future taxable income in years ending on or before December 31, 2013. A deferred net tax asset of approximately \$9,000 and \$12,000 at December 31, 2003 and 2002, respectively, has not been recognized.

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid Chris D. Mikkelsen Kenneth E. Secrest William A. Simer Andrew J. McDirmid

926 W. Sprague, Suire 300 Spokane, WA 99201.4000 509.747.6154 FAX 509.838.0508 www.mmsps.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

Board of Directors
Alliant Securities, Inc.
Turner • Nord • Kienbaum
Spokane, Washington

We have audited the accompanying financial statements of Alliant Securities, Inc. Turner • Nord • Kienbaum as of and for the year ended December 31, 2003 and have issued our report dated January 16, 2004. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1, 2, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moderned, Nichhelm & Secret, P.S.

January 16, 2004 Spokane, Washington

SCHEDULE 1

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2003

| Net capital: | | |
|--|----------------|-------------------|
| Stockholders' equity: | | |
| Common Stock | \$ 50,000 | |
| Additional paid-in capital | 237,883 | |
| Retained Earnings | <u>127,617</u> | |
| Total stockholders' equity | | \$ 415,500 |
| Subordinated borrowings allowable in computation | | |
| of net capital | | 450,000 |
| Total stockholders' equity and allowable | | |
| subordinated borrowings | | 865,500 |
| Deductions: | | |
| Non-allowable assets: | | |
| Unsecured accounts | 55 | |
| Furniture and equipment at cost, net of | | |
| accumulated depreciation | 13,670 | |
| Prepaid expenses and deposits | 3,575 | |
| | | <u>17,300</u> |
| Net capital | | 848,200 |
| Minimum net capital required | | 250,000 |
| Excess net capital | | <u>\$ 598,200</u> |

SCHEDULE 1 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION, Continued December 31, 2003

| Payable to brokers and dealers | \$ 3,910 |
|---|----------|
| Payable to customers | 29,737 |
| Accounts payable | 23,451 |
| Other current liabilities | 25,783 |
| Accrued profit sharing plan contributon | 99,851 |
| Accrued payroll | 221,251 |
| Payroll and business taxes payable | 2,337 |

Total aggregate indebtedness

Ratio: Aggregate indebtedness to net capital .48 to 1

\$406,320

SCHEDULE 2

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2003

| Credi | t Ba | lances |
|-------|------|--------|
|-------|------|--------|

Excess of total debits over total credits

Reserve requirement

| Free credit balances and other credit balances in customers' security accounts | \$ 29,737 | |
|--|-----------|-----------|
| Customer securities failed to receive (including credit balances in continuous net settlement accounts) | 3,910 | |
| Other Dividend | 75 | |
| Total credit items | | \$ 33,722 |
| Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection, net of | | 27 290 |
| deductions pursuant to Rule 15c3-3 | | 37,289 |

The amount of deposit in the special reserve bank account for the exclusive benefit of customers was \$5,000 for the year ended December 31, 2003.

\$ 3,567

NONE

SCHEDULE 3

RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL INCLUDED IN PART II OF FORM X-17A-5

December 31, 2003

| Net capital: | |
|---|-------------------|
| Net capital as reported on FOCUS REPORT | \$ 1,093,635 |
| Audit adjustments | |
| Increase in accounts receivable from brokers and dealers | 930 |
| Increase in cash surrender value of offficers' life insurance | 2,122 |
| Decrease in accounts payable | 29,048 |
| Increase in accrued profit sharing plan contribution | (96,792) |
| Increase in accrued payroll | (221,251) |
| Decrease in income tax payable | 57,608 |
| Increase in other current liabilities | (17,100) |
| Net capital which should have been reported | \$ 848,200 |
| Net capital as computed on page 12 | <u>\$ 848,200</u> |
| Aggregate indebtedness: | |
| Aggregate indebtedness as reported on FOCUS REPORT | \$ 157,833 |
| Audit adjustments | |
| Decrease in accounts payable | (29,048) |
| Increase in accrued profit sharing plan contribution | 96,792 |
| Increase in accrued payroll | 221,251 |
| Decrease in income tax payable | (57,608) |
| Increase in other current liabilities | <u>17,100</u> |
| Aggregate indebtedness which should have been reported | <u>\$ 406,320</u> |
| Aggregated indebtedness as computed on page 13 | <u>\$ 406,320</u> |

SCHEDULE 4 RECONCILIATION WITH COMPANY'S COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS INCLUDED IN PART II OF FORM X-17A-5

December 31, 2003

Reserve requirement as reported on FOCUS REPORT

NONE

Reserve requirement as computed on page 14

NONE

SCHEDULE 5 INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION December 31, 2003

Customer fully paid securities and excess margin securities not in the respondents possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. **\$_0** Number of items 2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. **\$_0** Number of items _0

McDIRMID, MIKKELSEN & SECREST, P.S.

Certified Public Accountants

James K. McDirmid Chris D. Mikkelsen Kennerh E. Secrest William A. Simer Andrew I. McDirmid

926 W. Sprague, Suite 300. Spokone, WA 99201.4000 509.747.6154 FAX 509.838.0508 www.mmsps.com

Board of Directors Alliant Securities, Inc. Turner • Nord • Kienbaum

Because of inherent limitations in internal controls or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal controls would not necessarily disclose all matters in internal controls that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal controls, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

McDimil, Mulhelson & Secret P.S.

January 16, 2004 Spokane, Washington